

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing an Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	
Federal-State Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	WC Docket No. 03-109
)	

COMMENTS OF THE ALASKA TELEPHONE ASSOCIATION

**SECTION XV, REDUCING INEFFICIENCIES AND WASTE BY CURBING
ARBITRAGE OPPORTUNITIES**

The Alaska Telephone Association (“ATA”)¹ appreciates the opportunity to comment on the proposals put forward in Section XV of this Notice of Proposed Rulemaking (“NPRM”) and commends the Commission for addressing this aspect of contribution methodology at the beginning of the lengthy process of Universal Service reform. It is a vital first step in expanding the contribution base to include all users of the network.

¹The Alaska Telephone Association is a trade association open to incumbent local exchange carriers, competitive local exchange carriers and interexchange carriers serving the state. Its active members are Adak Telephone Utility; Alaska Power & Telephone Company; Arctic Slope Telephone Association Cooperative; Bristol Bay Telephone Cooperative, Inc.; Bush-Tell, Inc.; Copper Valley Telephone Cooperative, Inc.; Cordova Telephone Cooperative; KPU Telecommunications; Matanuska Telephone Association; Nushagak Cooperative, Inc.; OTZ Telephone Cooperative, Inc.; Summit Telephone Company, Inc.; TelAlaska, Inc.; United Utilities, Inc.; and Yukon Telephone Company, Inc.

The crux of the ATA's positions expressed in these Section XV issues is that there is a real cost to providing communications infrastructure. There are both construction costs and operational costs and every entity using that infrastructure – that network – is getting value from it and should contribute in an equitable proportion to its cost recovery. The network provider must be fully compensated. Due to indolent regulatory oversight which has failed to establish rules and enforcement policies to discourage arbitrage, entities have availed themselves of below-cost or free use of the public switched telecommunications network through phantom traffic and VoIP.

VoIP

Of the options offered by the Commission in this NPRM to address VoIP, or of any we might otherwise offer, none are more rational than that in paragraph 618 proposing that VoIP traffic be subject to the same intercarrier compensation charges as other voice telephone traffic, both today and during any intercarrier compensation reform transition period. As long as there is an incentive afforded by new technology or regulatory fiat, it is virtually certain that some entity will avail itself of that competitive advantage. Such is the case and the major cause for the erosion of switched minutes of access and the increase in VoIP traffic. In a report just released by the Wireline Competition Bureau, in the year preceding June 30, 2010 VoIP subscriptions increased 21% and switched access minutes declined by 8%.²

The Commission asks whether it should distinguish between fixed and nomadic VoIP traffic (¶612). We believe that to do so would only perpetuate a path for further, more narrowly focused, arbitrage and would be contrary to the market based concept of cost user, cost payer.

The ATA supports the Commission's authority to regulate VoIP traffic under section 215(b)(5), but we are not clear of the linkage or convinced that acceptance of that authority demands the application of a bill-and-keep methodology (see ¶615). Bill-and-keep is only equitable if originating and terminating traffic is relatively comparable as it might be on a local basis. Traffic terminated from an interstate origin is unlikely to fit that paradigm, so applying the same intercarrier compensation charges as other voice traffic as mentioned above and in paragraph 618 is appropriate.

² http://www.fcc.gov/Daily_Releases/Daily_Business/2011/db0321/DOC-305295A1.pdf

As strongly as we believe that every user of the network should pay, to the extent that the traffic exchanged is local traffic, we propose that the Commission consider a modified bill-and-keep or reciprocal compensation methodology wherein if local traffic is found to be out of balance³ by more than a specified percentage (e.g. 5 percent), the terminating carrier could bill the originating carrier for the excess volume of traffic and that carrier would have a responsibility to pay this reciprocal compensation. Essentially, the carrier using the network more would pay its proportionate share of the costs rather than shifting some of those costs to other network users. For purposes of determining the jurisdiction of nomadic VoIP traffic, the billing address of the VoIP carrier's customer would be a suitable surrogate for the originating location of the call. Alternatively, since carriers are required to provide 911 services, the location of the customer could be assigned to the last registered 911 location for the nomadic customer. We believe that rural carriers would be adversely impacted by a pure bill-and-keep methodology and such would perpetuate the arbitrage opportunities that have already been identified as problematic.⁴

Phantom Traffic

Phantom traffic has been a frustrating problem for some time. With no disincentive to deliver traffic devoid of billing information, an arbitrage opportunity exists for unscrupulous entities. Additionally, there is little incentive for carriers to explore and invest in solutions to technological shortcomings that result in the delivery of their traffic without billing identifiers.

We agree with the Commission that "traffic lacking sufficient information to enable proper billing of intercarrier compensation charges is not consistent with the public interest" (§624) and we are a bit surprised that the Commission's rules would still need modification to prohibit "stripping or altering call signaling information" (§626). However, if that is the case, we

³ Out of balance in terms of the volume of calls terminating from a carrier's network as compared to the volume originating from that network.

⁴ Access charges for use of local exchange carrier networks have been described as one of the legs of a three legged stool that provides for affordable telephone service. When dramatic reform of another of the stool's legs, universal service funding, is making that leg wobbly or at least uncertain, the ATA encourages the FCC not to preclude carriers from billing for reciprocal compensation when warranted.

certainly support the speedy implementation of such rules as we cannot imagine how the public is served by the alteration of billing information.

We are adamantly opposed to the alteration of call signaling information in order to unfairly arbitrage network costs between jurisdictions and thus shift costs among users. We support the Commission's proposed rules to prohibit it with the limited exceptions identified⁵ and apart from those limited exceptions, we encourage the Commission to implement and enforce procedures that include punitive disincentives for the willful alteration of signaling information.

Access Stimulation

Currently we are aware of no access stimulation activity in Alaska and we offer no comments on that issue at this time.

Respectfully submitted this 1st day of April, 2011.

ALASKA TELEPHONE ASSOCIATION

A handwritten signature in black ink, appearing to read "Jim Rowe", with a long horizontal flourish extending to the right.

By: _____
Jim Rowe
Executive Director

⁵ See ¶633 and footnote 975.